

COMPTROLLER'S DIRECTIVE NO. 3-07
FINANCIAL STATEMENT PREPARATION FOR STATE AGENCIES
ITEMS OF INTEREST

If the information requested in the supplemental section is also provided on an attachment, contact the individuals listed in the Questions section of this Directive.

General

- Any questions related to the Directive should be addressed to the following individuals:
 - Doug Page, Assistant Director, (804)225-3136 or doug.page@doa.virginia.gov,
 - John Sotos, Assistant Director, (804)225-2111 or john.sotos@doa.virginia.gov; or,
 - Sharon Lawrence, Director, (804) 225-2414 or sharon.lawrence@doa.virginia.gov.
- The Comptroller's Directive No. 3-07, Directive Compliance Guidelines for State Agencies, has been renumbered from the prior year's Comptroller's Directive No. 2-06.
- Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit* (SAS 112), is effective for fiscal year 2007. SAS 112 states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments and prior year ending balance restatements due to errors. It is possible that significant errors discovered, including those resulting in prior year ending balance restatements, could result in either material internal control weaknesses or even a qualified opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR). Agencies must ensure controls are in place to avoid misstatements, restatements (due to errors) in their directive submissions.
- Training will be provided for this Directive at no charge to the agencies. The training will cover new attachments, substantial changes to prior year attachments, and detailed discussion of certain problem areas. **It is strongly encouraged** that state agencies who must complete information contained in this Directive attend the training. To register for the training, go to www.doa.virginia.gov and click on the "Training" link.
 - DOA is offering four 2-hour directive training sessions as outlined below.
 - May 30 **or** June 5, 2007 (9:00 a.m. – 11:00 a.m.) – Governmental Funds
This session will highlight significant changes and provide training related to the Governmental Fund Financial Statement Template Attachment and other governmental fund attachments (excluding the Capital Asset Attachments).
 - May 31 **or** June 7, 2007 – Proprietary Funds
This session will highlight significant changes and provide training related to the Proprietary Fund Financial Statement Template Attachments and other attachments.

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General, Continued

Please bring a printed copy of the directive to the training session(s) and be prepared to discuss any questions you may have concerning the directive.

- DOA is also offering four 3-hour training sessions to address the capital assets and lease topics. Included in these discussions will be the newly revised FAACS to CARS reconciliation procedures, Capital Asset Attachments 13 and 13A, and additional year-end reporting requirements. Each session will also include a question and answer period. The dates and times for these sessions are as follows:
 - May 30, 2007 - 1:00 p.m. - 4:00 p.m.
 - May 31, 2007 - 1:00 p.m. - 4:00 p.m.
 - June 5, 2007 - 1:00 p.m. to 4:00 p.m.
 - June 7, 2007 - 1:00 p.m. to 4:00 p.m.
- Agencies will be notified within a few days of submission due dates if DOA determines the information provided is unacceptable. The deficiency will be identified and a revised date will be provided. Original submissions should be materially correct. Multiple submissions and / or failure to provide corrected information within the specified timeframe may result in citation in the Comptroller's *Quarterly Report on Statewide Financial Management and Compliance*.
- As in previous years, E-mail submissions are required for all submissions unless an individual submission indicates otherwise. Agencies should only submit **one** copy of each submission to DOA. Please note the new E-mail addresses below:
 - For attachments only – finrept-agyatt@doa.virginia.gov
 - For supplemental information – finrept-agysupp@doa.virginia.gov
 - All other correspondence – finrept@doa.virginia.gov

Agencies should remember to copy the Auditor of Public Accounts (APA) on all e-mail submissions at: APAFinRept@apa.virginia.gov.

- **Effective for fiscal year 2007**, the **Supplemental Information** requirements are numbered for each agency. When submitting the required information, the subject line of the e-mail should include the agency number, due date of the submission, and item number. For example, if the Department of Treasury is submitting items due on July 19, then the subject line would read “**Agy 152, Due Date July 19, 2007, Submissions, Item #.**” **DO NOT include different due date submissions within the same e-mail.**

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- Only cells highlighted in yellow allow for data entry. Messages have been added that provide assistance to individuals having trouble entering data when the established parameters are not being followed. **Failure to correct keying errors denoted by validation messages prior to submission will prohibit acceptance of the attachment.**
- **Effective for fiscal year 2007, a Certification** is required for each submission. This certification step requires the names of all preparers and reviewers to be included on all submissions. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any submission. **By typing a name, the individual is certifying that all information in the submission has been reviewed, the information is both complete and accurate, and the preparer and reviewer were not the same individual.** The certification must accompany all supplemental information. There is a separate certification tab for all attachments.
- Revision control logs are included in the majority of the attachment workbooks. These logs require the agency to identify the specific worksheets and tabs that have been modified **after** DOA's original acceptance. These logs should also provide a cumulative listing of changes to each attachment. The individual attachment instructions indicate whether the revision control log is applicable. **Failure to adhere to the revision instructions specified for each attachment will prohibit acceptance of revisions.** Each time a revision is submitted the **Certification** tab should be updated with new signatures and dates. DOA will notify agencies if problems are encountered with revision submissions.
- For CAFR reporting purposes, the Commonwealth capitalizes all equipment that has a cost or value greater than \$50,000 and an expected useful life of greater than two years. In addition, for CAFR reporting purposes, the Commonwealth capitalizes all other assets that have a cost or value greater than \$100,000 and an expected useful life of greater than two years. **These CAFR reporting capitalization thresholds do not affect capitalization thresholds on FAACS.** Proprietary agencies will be able to specify their individual capitalization limits in the financial statement template capital asset footnote tab.
- If an agency is required to prepare financial statements for purposes other than the Comptroller's Directive, the affected agencies will still have to prepare those financial statements. However, unless otherwise specified in the **Supplemental Information** section of the Directive, these financial statements will not have to be submitted to DOA. For those agencies that are audited by the APA, the APA will audit the template for CAFR purposes.

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New Attachments

Attachment 17, Insurance Recoveries

- Attachment 17 will capture information related to insurance recoveries for agencies that do not provide financial statement template information.

Attachments with Changes

Attachment 1, Checklist to Determine Information Required by Comptroller's Directive

- Changes were made to the list of agencies that are required to submit GAAP Basis Financial Statement Templates. **Attachment 1** identifies the agencies that are required to submit templates.
- Changes were made to the list of agencies that are required to submit Supplemental Information. **Attachment 1** identifies the agencies that are required to submit Supplemental Information.
- Agencies are only required to submit the **Fund Description.xls** file with Attachment 1 if revisions are needed to the file. This file is located on DOA's website at www.doa.virginia.gov. Click on "Financial Reporting" and then click on "Financial Statement Directives."

Attachment 7, Inventory as of June 30 and Prepayments:

- Prepayments processed as of June 30 must be reported on this attachment.

Attachment 8, Governmental Fund Financial Statement Template:

- New line items have been added to the templates and related footnote tabs to obtain additional information.
- Changes were made to the credit rating list. Please contact DOA if any agency ratings are not included on this list.
- Tab 4 – Miscellaneous was changed to provide a section for agencies to report the amount and description of transactions relating to prepaid items.

Attachment 9, Enterprise Fund Financial Statement Template

- New line items have been added to the templates and related footnote tabs to obtain additional information.
- Changes were made to the credit rating list. Please contact DOA if any agency ratings are not included on this list.
- Tab 3 - Capital Assets and Tab 7 - Miscellaneous tabs were changed so that Insurance Recoveries not related to current year capital asset impairments will be reported on the Miscellaneous tab.
- Tab 7 - Miscellaneous was changed to provide a section for agencies to report the amount and description of transactions relating to prepaid items.

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Attachments with Changes Continued

- Tab 12 – Invested in Capital Assets, net of Related Debt was changed to include a reconciliation of long-term debt amounts recorded on the template and the amounts recorded on this footnote tab. Differences must be explained.

Attachment 10, Internal Service Fund Financial Statement Template:

- New line items have been added to the templates and related footnote tabs to obtain additional information.
- Changes were made to the credit rating list. Please contact DOA if any agency ratings are not included on this list.
- Tab 3 - Capital Assets and Tab 7 - Miscellaneous tabs were changed so that Insurance Recoveries not related to current year capital asset impairments will be reported on the Miscellaneous tab.
- Tab 7 - Miscellaneous was changed to provide a section for agencies to report the amount and description of transactions relating to prepaid items.
- Tab 9, Unearned Revenue – Unearned revenue related to prepayments received as of June 30 must be reported by agency.
- Tab 12 – Invested in Capital Assets, net of Related Debt was changed to include a reconciliation of long-term debt amounts recorded on the template and the amounts recorded on this footnote tab. Differences must be explained.

Attachment 11, Private-purpose Trust Fund Financial Statement Template:

- Changes were made to the credit rating list. Please contact DOA if any agency ratings are not included on this list.

Attachment 12, Agency Fund Financial Statement Template:

- Changes were made to the credit rating list. Please contact DOA if any agency ratings are not included on this list.

Attachment 13a, Impairment of Capital Assets:

- Changes were made to ensure only insurance recoveries related to assets impaired in the current fiscal year were reported on this attachment.
- Additional asset valuation instructions were added to tab 2.

Attachment 19, Management Discussion and Analysis:

- New this year, only agencies contacted in a separate communication will have to provide explanation for items identified. These explanations will be used to complete the M D&A section of the CAFR.

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Attachments with Changes Continued

Attachment 22, Schedule of Cash, Cash Equivalents, and Investments at June 30:

- The requirement to report GLA 101 cash with Treasurer of VA was eliminated.
- Added questions to the Detail Tab to ensure non negotiable CD's are recorded as cash equivalents and Tab 1B reconciles to audited financial statements if applicable.
- Changes were made to the credit rating list. Please contact DOA if any agency ratings are not included on this list.

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